

**Before the
Federal Communications Commission
Washington, D.C.**

In the Matter of)	
)	WC Docket No. 05-337
High-Cost Universal Service Support)	
)	CC Docket No. 96-45
Federal-State Joint Board)	
on Universal Service)	

REPLY COMMENTS OF THE MISSISSIPPI PUBLIC SERVICE COMMISSION

The Mississippi Public Service Commission (MPSC) respectfully submits these reply comments to the Federal Communications Commission (FCC) in response to the three Notices of Proposed Rulemaking (NPRMs) released January 29, 2008, in the above-captioned proceedings.¹ Numerous initial comments were filed addressing the proposals detailed in the NPRMs. These comments raise several issues of considerable importance to Mississippi telecommunications consumers. In addition, certain of our comments deal with issues that have not been adequately covered by previous commenters.

Introduction

Mississippi's population is located mainly in low-density rural areas, which results in high telecommunications service costs. The state's only non-rural incumbent eligible telecommunications carrier (ETC), AT&T of Mississippi (AT&T), provides telecommunications services to eighty-three percent of the state, which equates to

¹ Notice of Proposed Rulemaking, *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, FCC 08-4 (rel. Jan. 29, 2008) (*Identical Support Rule NPRM*); Notice of Proposed Rulemaking, *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, FCC 08-5 (rel. Jan. 29, 2008) (*Reverse Auctions NPRM*); and Notice of Proposed Rulemaking, *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, FCC 08-22 (rel. Jan. 29, 2008) (*Recommended Decision NPRM*).

approximately twenty-six access lines per mile over the 39,700 square mile area it serves.² In addition, Mississippi has eighteen rural incumbent ETCs conscientiously working to provide telecommunications services to consumers in even more rural settings than areas served by AT&T. Mississippi's wireline and wireless competitive eligible telecommunications carriers also continue to meet rural consumers' needs. However, while all these carriers have aggressively invested in telecommunications infrastructure, much work remains to be done to meet the state's rural telecommunications needs.

Reverse Auctions

The MPSC agrees with commenters who recommend changes to the NPRM's tentative conclusion on the reverse auction proposal. The FCC should carefully weigh the impact of reverse auctions before moving to approve it as a universal service fund distribution mechanism. However, if the FCC ignores the problems outlined in the record that cast serious doubt on the practical application of this option, and chooses to adopt reverse auctions, the MPSC believes that, before implementation, the following points need to be addressed in more detail.

Stranded Costs/Facilities

For some time, Mississippi's ETCs have utilized federal universal service dollars to reduce rates, offset the cost of service in the remote rural areas of the state and make significant infrastructure investments. Also, the MPSC has worked closely with ETCs to ensure that much of this infrastructure is strategically targeted to efficiently serve high cost areas throughout the state. Mississippi ETCs are deploying universal service funding in the manner and purpose for which it is designed. As a result, thousands of Mississippians enjoy reliable, reasonably priced telecommunications access at their

² Based on 2006 MPSC Annual Report data.

farms, schools and rural businesses. These rural consumers are also now closer to receiving the same services as urban dwellers. Absent federal universal service funding, it is very unlikely that this progress would have been possible.

The MPSC is very concerned that implementation of reverse auctions may possibly result in serious universal service funding losses to the state's ETCs, abandoned infrastructure, stranded costs and disincentives to invest. Such losses would likely jeopardize the ETCs' ability to maintain and support their infrastructure architecture in extremely rural, high cost areas of Mississippi. If universal service funding is curtailed under a reverse auction scenario, infrastructure investment could be abandoned to the detriment of ETCs and the consumers that rely on their services. This situation is not unique to Mississippi. The same scenario would be replayed in each rural, high cost state where ETCs rely upon universal service funding to invest and deploy telecommunications infrastructure. Furthermore, reverse auctions appear to be inequitable to ETCs that have for years invested consistently to meet the needs of rural consumers.

Carrier Access

The FCC must consider that the two predominant technology tracks being utilized by wireless carriers today, Code Division Multiple Access (CDMA) and Global System for Mobile Communications (GSM), are not compatible. A reverse auction mechanism that selects a single winner for wireless ETCs in a high-cost area necessarily chooses the technology that receives support in that area. This opens the possibility that consumers in high-cost areas will not be able to choose the technology they prefer, and also that they will not be able to use their wireless device when traveling to another high-cost area

whose lowest bidder is a carrier using a different technology. In rural, high-cost states like Mississippi, this could easily result in a consumer having to choose between a device with connectivity in the town where the consumer lives or a device that has connectivity in a neighboring town where the consumer works.

Carrier of Last Resort/Disincentives to Investment

With regard to wireline ETCs, there are no advantages a reverse auction can provide. Instead such auctions raise the specter of poor service quality and disinvestment, while causing concerns about the assignment of carrier of last resort obligations.

Practical Implementation Problems

The MPSC also harbors serious concerns associated with the practical application of any reverse auction program. These concerns include: 1) diversion of scarce state resources, manpower and funding to enact potentially time consuming auction rules' requirements; 2) transition matters associated with the transfer of high cost funding away from current ETCs that receive universal service funding to a reverse auction winning ETC within a geographic study area; and 3) necessity for ongoing operational and maintenance expenses to ensure ETCs have the capability to continue to deploy applicable technology and necessary equipment upgrades.

Auction Interval

The MPSC also holds certain reservations about the utilization of a five-year interval auction frequency. These concerns relate to the level of oversight that should be attributed to the auction process. Should a carrier, designated as an auction winner, fail to provide an acceptable level of service to its customers during the five-year auction

interval, the State Commission should be allowed to initiate a review. If the review validates a poor service quality product and/or substantiates a failure of the carrier to appropriately use universal service funding in the manner for which it was intended, then the State Commission should have the opportunity to conduct a “re-auction” of this service area.

Pilot Programs

However, if the FCC decides to proceed with the reverse auction initiative, given the very real possibility of harm to rural consumers in high cost states, the MPSC proposes that the FCC begin by setting up pilot programs to evaluate the efficiency and impact of the new rules. Specifically, the FCC should design its reverse auction program to assure it can be initially evaluated in several representative test states. State self-selection for testing should be voluntary. The experimental design should allow direct comparison of representative states with states continuing under the present program with respect to penetration, services offered and facilities upgraded or deployed. During the experimental design and implementation the states should have full representation in the process. This of course requires that states have full and frequent access to the data generated, as well as an adequate opportunity to engage in their own evaluation process of the data. Joint FCC-State technical conferences should be convened at regular intervals.

The MPSC suggests that one possible finding of this experimental process might be that reverse auctions could be appropriate for some states, but not for others. The FCC should consider this possibility in its experimental design. If this becomes apparent after the experimental stage, the FCC should consider a dual universal funding system.

Eligibility Requirements

The MPSC concurs with the FCC and commenters in supporting the proposition that a bidder should hold ETC designation covering the relevant service geographic area prior to participating in a reverse auction process. This same MPSC disclaimer would hold for any future process adopted by the FCC to distribute universal service funding.

The MPSC also strongly urges the FCC to maintain the state commission's role in all functions associated with ETCs and universal service funding. To assure the efficient use of federal universal service fund dollars, the MPSC has adopted the bulk of the FCC's proposed conditions for ETC designations.³ Since 2000, the MPSC has required ETCs to file annual universal service plans that must contain the amount of universal service funds the ETC expects to receive in the following year. An ETC must also provide its proposed use of the funds including build-out and improvement of coverage in rural, high cost areas of the state. Further, ETCs must file quarterly reports detailing the actual amount of funding received as well as updates on the projects that were previously approved by the MPSC. This administrative approach has been invaluable in Mississippi in ensuring that ETCs use federal universal service funding in an appropriate manner. The MPSC recommends the adoption of this framework by all state commissions to provide assurance that federal high cost dollars are being used in the manner in which the support is intended.

Broadband

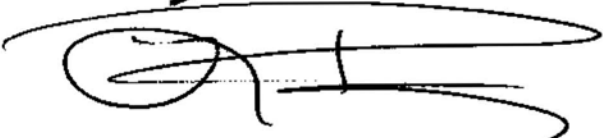
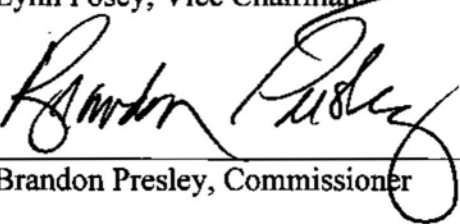
The MPSC agrees with the commenters that support the use of universal service funding to provide broadband. In Mississippi alone, a considerable number of consumers

³ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 20 FCC Rcd 6371 (2005) (ETC Designation Order).

lack access to adequate, affordable broadband coverage. Also, deployment of broadband facilities is critical to expansion of Voice over Internet Protocol applications. The time is now to divert universal service funding to this service initiative. While the FCC considers universal service reform, the MPSC strongly recommends that ETCs, working closely with the state commissions, be given the ability to use current universal service funding to begin deploying broadband in unserved and underserved areas. This would allow Mississippi and other states to begin to eliminate the broadband digital divide that exists today.

Respectfully Submitted,

MISSISSIPPI PUBLIC SERVICE COMMISSION


Leonard Bentz, Chairman
Lynn Posey, Vice Chairman
Brandon Presley, Commissioner

June 2, 2008